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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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IN THE MATTER OF THE APPLICATION OF  
ARIZONA PUBLIC SERVICE COMPANY  
FOR AUTHORIZATION FOR THE  
PURCHASE OF GENERATING ASSETS  
FROM SOUTHERN CALIFORNIA EDISON  
AND FOR AN ACCOUNTING ORDER

Docket No. E-01345A-10-0474

NOTICE OF FILING TESTIMONY SUMMARIES

The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing the  
Testimony Summaries of Thomas H. Fish, Ph.D., and Royce Duffett, Engineer, in the above-  
referenced matter.

RESPECTFULLY SUBMITTED this 12<sup>th</sup> day of July, 2011

Daniel W. Pozefsky  
Chief Counsel

1 AN ORIGINAL AND THIRTEEN COPIES  
2 of the foregoing filed this 12<sup>th</sup> day  
3 of July, 2011 with:

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 West Washington  
6 Phoenix, Arizona 85007

7 COPIES of the foregoing hand delivered/  
8 mailed this 11<sup>th</sup> day of July, 2011 to:

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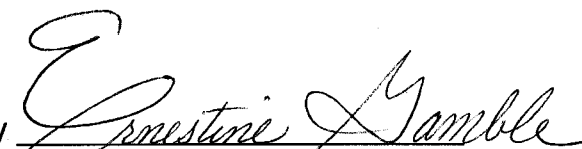
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By   
Ernestine Gamble  
Secretary to Daniel Pozefsky

**DOCKET NO. E-01345A-10-0474**

**SUMMARY OF THE TESTIMONY OF THOMAS H. FISH, Ph.D.  
ON BEHALF OF THE RESIDENTIAL UTILITY CONSUMER OFFICE**

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Arizona Public Service Co. (APS) has requested authorization to purchase the 48% ownership interest of Southern California Edison (SCE) in units 4 and 5 of the Four Corners Generating Plant. Concurrent with its purchase of SCE's ownership interest APS requests permission to retire Four Corners units 1, 2, and 3 of which APS is the 100% owner, at the time of the purchase which APS proposes to occur on October 1, 2012. In addition, APS is requesting an accounting order to allow it to defer costs associated with the transaction and to provide assurance that APS will be permitted to fully recover its investment in and carrying costs of units 1 – 3, and any additional costs incurred in connection with closure of these units.

APS' Application states that the purchase price of SCE's ownership interest in units 4 and 5 decreases every month the transaction is delayed after October 1, 2012. Furthermore, it is RUCO's understanding that SCE is not required to remove itself from Four Corners until the termination of the lease in 2016. RUCO further understands that APS will not be required to make EPA-required upgrades for some period of time.

I recommend that: (1) The Commission authorize APS to acquire SCE's ownership of units 4 and 5 under the terms requested except that the transaction would not occur until the earlier of July 1, 2016 or when EPA mandated capital investment to address nitrogen oxide emission for each of the plant's five units and/or additional particulate

## **SUMMARY OF THE TESTIMONY OF THOMAS H. FISH, Ph.D. (Cont.)**

emissions controls on units 1 – 3 (estimated to be \$660M) is required; (2) The Commission should not approve the Company's request for an accounting order; (3) if the Commission decides to authorize an accounting order, then the conditions identified in the testimony should also be adopted; (4) that APS not be permitted to earn a return on any deferred costs authorized by the Commission; and, (5) the deferred accounts be terminated within 36 months of the transaction or when rates from a general rate case are implemented subsequent to completion of the transaction, whichever occurs first.

This recommendation provides regulatory certainty regarding the existence and operation of Four Corners along with certainty of meeting APS' future base load requirements. It also provides rate payers the benefit of a lower purchase price.

**DOCKET NO. E-01345A-10-0474**

**SUMMARY OF THE TESTIMONY OF ROYCE DUFFETT  
ON BEHALF OF THE RESIDENTIAL UTILITY CONSUMER OFFICE**

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Mr. Duffett's testimony addresses engineering issues geared to evaluating the impact they may have upon implementation of the alternatives considered by APS in in evaluation.

APS proposed three alternatives for detailed consideration with respect to the Four Corners plant. First, purchase SCE's 48% ownership interest in units 4 and 5 and, at the same time of the transaction, retire units 1, 2, and 3; second, retire units 4 and 5 and continue to operate units 1, 2, and 3; and, third, replace the power lost from the closure of Four Corners with a combined cycle natural gas-fired unit located in the Palo Verde area.

As a result of his analysis, Mr. Duffett determined that there would be no engineering difficulties with any of the three alternatives. He determined that APS used reasonable engineering assumptions. From an operations perspective, the first two alternatives considered by APS simply continue current operations of the plant but with different units operational and retired for the two alternatives. For the third alternative, however, a new combined cycle plant, and associated transmission facilities, is assumed to be constructed and all five of the Four Corners units are closed.